

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 EURE-00 CIAE-00 DODE-00 PM-04

H-01 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02

SS-15 USIA-06 SAJ-01 OMB-01 TRSE-00 EB-07 SIL-01

LAB-04 /085 W

----- 081465

P R 101700Z DEC 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC PRIORITY 4030

INFO AMCONSUL BREMEN

AMCONSUL DUSSELDORF

AMCONSUL FRANKFURT

AMCONSUL HAMBURG

AMCONSUL MUNICH

AMCONSUL STUTTGART

USMISSION USBERLIN

AMEMBASSY PARIS

AMEMBASSY LONDON

AMEMBASSY ROME

USMISSION EC BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY VIENNA

AMEMBASSY STOCKHOLM

AMEMBASSY LUXEMBOURG

AMEMBASSY COPENHAGEN

AMEMBASSY LISBON

AMEMBASSY OSLO

USMISSION GENEVA

AMEMBASSY MADRID

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E.O. 11652: N/A

TAGS: ELAB, GW

SUBJECT: SOCIAL SECURITY ISSUE DELAYS NEW SPD/FDP

COALITION AGREEMENT

REF: BONN 18431

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SUMMARY: FINANCIAL PROBLEMS IN THE SOCIAL SECURITY

SYSTEM (REFTEL) HAVE NOW CREATED A SIGNIFICANT CRISIS FOR THE SCHMIDT GOVERNMENT. THESE PROBLEMS REPRESENT ONE OF THE MOST DIFFICULT ISSUES IN COMING TO AGREEMENT BETWEEN THE COALITION PARTIES ON A NEW SPD/FDP COALITION GOVERNMENT PROGRAM. PRESS LEAKS THAT THE LATEST TENTATIVE AGREEMENT ON THIS ISSUE PROVIDED, INTER ALIA, FOR DELAYING THE NEXT "COST-OF-LIVING UPWARD ADJUSTMENT" BY SIX MONTHS, CREATED A STORM OF PROTEST. WITHIN THE SPD, THE REACTION WAS VERY CRITICAL. THE DISCUSSION ON THE SUBJECT ALSO WAS VERY STRONG IN THE FDP FRACTION FORCING SCHMIDT TO BACK OFF AND HAVE ANOTHER LOOK AT THE PROBLEM. SCHMIDT COULD NOT AFFORD EVEN A MINI-REVOLT IN EITHER THE SPD OR FDP FRACTIONS LEST HIS ELECTION AS CHANCELLOR BE PUT IN JEOPARDY. SO BOTH PARTIES, ACCORDING TO LATEST REPORTS, AGREED TO DROP THIS ACTION. BUT PRE-ELECTION SPD AND FDP PROMISES THAT FRG PENSIONERS HAD NO WORRIES CONTINUE TO BE ONE OF THE HOTTEST ISSUES FOR THE NEW GOVERNMENT. ANY CORRECTIVE DECISION IS LIKELY TO BE UNPOPULAR NOW. END SUMMARY.

1. THE NEW LONG-RANGE PROGRAM TO ELIMINATE THE GROWING SOCIAL SECURITY DEFICITS WHICH WAS PREPARED BY THE SPD AND FDP NEGOTIATING TEAMS FOR THE NEW GOVERNMENT, IS DESIGNED TO SUPPLEMENT AND AMEND THE SHORT-TERM RECOVERY PROGRAM FOR 1977 WHICH THE GOVERNMENT APPROVED ON OCTOBER 27 (SEE REFTEL).
2. CONTRARY TO ITS PREELECTION PROMISES, THE SPD/FDP COALITION DECIDED TO POSTPONE THE NEXT REGULAR PENSION ADJUSTMENT (OF APPROXIMATELY 10 PERCENT), SCHEDULED FOR JULY 1, 1977, UNTIL JANUARY 1, 1978. THIS PART OF ITS PROGRAM WAS CHANGED WHEN PRESS LEAKS ON IT PROVOKED A STORM OF PROTEST.
3. WE DO NOT YET HAVE FINAL INFORMATION ON THE DETAILS OF THE ACTION PROGRAM, BUT WILL REPORT WHEN THEY BECOME AVAILABLE .
4. PRESS LEAKS ON THE COALITION ACTION PROGRAM, PARTI-

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CULARLY THE DELAY OF THE REGULAR ANNUAL PENSION ADJUSTMENT FROM JULY 1, 1977 TO JANUARY 1, 1978, CREATED A NATION-WIDE WAVE OF PROTEST. CDU AND CSU OPPOSITION SPOKESMEN CHARGED THE POSTPONEMENT IS A POLITICAL SCANDAL AND THAT THE VOTERS HAD BEEN CHEATED IN AN "ELECTION SWINDLE". THE TWO VETERAN AND WAR DISABLED ORGANIZATIONS ANNOUNCED PREPARATIONS FOR A MARCH ON BONN IF THE GOVERNMENT SHOULD BREAK ITS PROMISE TO PAY

THE NEXT PENSION ADJUSTMENT ON JULY 1, 1977. GENUINE
POPULAR RESENTMENT WAS AROUSED.

5. SHOCKED BY THE UNEXPECTED SHARP PUBLIC REACTION, THE
SPD BUNDESTAG FACTION CALLED AN EXTRAORDI-
NARY MEETING ON DECEMBER 9 AND APPOINTED A SPECIAL
COMMISSION TO DEVELOP NEW ALTERNATIVE SPD PROPOSALS
FOR RENEGOTIATION WITH THE FDP.

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6. THE UNIONS HAVE NOT REACTED YET, BUT DGB VICE
PRESIDENT GERD MUHR HAS CRITICIZED THE MEASURES. HE
REITERATED HIS PREVIOUS CHARGES THAT THE SOCIAL
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SECURITY SYSTEM HAS BEEN BURDENED UNNECESSARILY BY THE
1972 CHANGES IN THE SOCIAL SECURITY LAW GIVING SELF-
EMPLOYED PERSONS RIGHTS TO OLD AGE INSURANCE BENE-
FITS NOT BALANCED BY ADEQUATE CONTRIBUTIONS TO THE
SYSTEM IN THE PAST.

7. COMMENT: THE SHARP NEGATIVE REACTION IN THE PUBLIC
AND WITHIN THE SPD SHOWED THAT THE COALITION AGREE-
MENT ON THE PENSION ISSUE HAD TO BE MODIFIED. EVEN
AFTER THIS WAS DONE, THE GOVERNMENT PROGRAM MAY STILL
RUN INTO DIFFICULTY IN THE BUNDESTAG AND BUNDESRAT.
THEREFORE, PENSION REFORM WILL REMAIN A HOT POLITICAL
ISSUE AND CREATE SERIOUS PROBLEMS FOR THE SCHMIDT
GOVERNMENT. AND WE CAN EXPECT CSU LEADER FRANZ JOSEF
STRAUSS' VOICE TO BE HEARD LOUD AND CLEAR ON THIS
PRIORITY ISSUE SINCE HE ACCURATELY ANALYZED AND PRE-
DICTED THE NEED FOR ACTION ON THE GROWING CRISIS IN
SOCIAL SECURITY FINANCES BEFORE THE ELECTION. THE
NEW GOVERNMENT COALITION HAS DECIDED APPARENTLY TO
TAKE UNPOPULAR CORRECTIVE MEASURES NOW HOPING THAT
THESE MOVES WILL DEFUSE THESE ISSUES EARLY IN THE
PERIOD OF THE NEW GOVERNMENT.
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